



Quarterly Report  
June 30, 2020

Kalamazoo | Portage  
Grand Rapids | Holland  
Lansing

# Dear Shareholder:

Thank you for your investment and continued support of First National Bank of Michigan.

First National Bank of Michigan's total assets were \$760 million as of June 30, 2020, up 32% from June 30, 2019. Our loan portfolio grew by \$109 million, an increase of 23% driven by the Paycheck Protection Program (PPP loans) in support of our community, businesses and non-profit organizations. As of 6/30/2020, we had 587 PPP loans totaling \$128,463,000. Net Income of \$2.096 million is 34% below last year's Net Income of \$3.175 million as we added \$1.011 million to our Loan Loss Provision for future potential credit losses.

Earnings for the first six months of the year were significantly impacted by the COVID-19 pandemic. FNBM employees managed expenses and we recognized good revenue performance as the economic shocks caused by the pandemic weren't felt until late in the first quarter and throughout the second. COVID-19 is a public health crisis with severe economic ramifications. The work done in recent years has positioned us well from a balance sheet perspective. While no one knows what the future holds, we have the resources we need to serve our clients without jeopardizing our safety and soundness. We want to thank our First National Bank of Michigan Employee Heroes who quickly had to adjust to working differently but brought their same dedication and pride to their jobs every day. Our heroes have supported our clients, our communities and each other and we could not be prouder. Sixty percent of FNBM employees continue to work remotely. Employees from every department were involved in the SBA's Paycheck Protection Program.

Our new Lansing branch will open in October, exterior signage has been installed and remodeling of the existing space continued throughout the pandemic and is nearly complete.

An independent appraisal of the Company's stock determined the value to be \$40.00 per share as of June 30, 2020, a slight increase from the March 31, 2020 value of \$39.00. The increase reflects the Company's financial strength as we continue to remain profitable despite adding to loan loss reserves and building capital for the uncertain economic impact of the COVID-19 crisis.

On behalf of the First National Bank of Michigan team, we thank you for your continued loyalty.

Together, We are First.

Sincerely,



Daniel E. Bitzer  
President & CEO



Larry D. Lueth  
Chairman of the Board

## CONSOLIDATED BALANCE SHEET (Unaudited) (in '000's)

<b>Assets</b>	<b>06/30/20</b>	<b>06/30/19</b>
Cash & Due from Banks	\$93,592	\$38,384
Investments	62,601	50,250
Loans		
Commercial Loans	562,604	446,411
Residential Mortgage Loans	25,714	29,579
Consumer & other loans	1,024	1,895
Gross Loans	589,342	477,884
Allowance for loan losses	(7,976)	(6,252)
Net Loans	581,366	471,632
Fixed Assets	6,441	3,512
Other Assets	16,428	11,762
Total Assets	<u>\$760,428</u>	<u>\$575,539</u>

## Liabilities & Shareholders' Equity

Demand Deposits	\$255,855	\$208,197
Savings Deposits	205,462	126,062
Time Deposits	156,479	133,257
Borrowings	73,775	48,000
Other Liabilities	6,187	1,772
Total Liabilities	697,758	517,288
Capital		
Common Stock	19,114	20,935
Retained Earnings	40,768	33,989
YTD net income	2,096	3,175
Unrealized Gain (loss) on Securities	693	152
Total Capital	62,671	58,251
Total Liabilities & Shareholders Equity	<u>\$760,428</u>	<u>\$575,539</u>

### Our Locations:

269.349.0100 | 348 W. Michigan Ave., Kalamazoo  
269.250.9960 | 5313 W. Main St., Kalamazoo  
269.488.0290 | 2700 W. Centre Ave., Portage  
616.242.6500 | 141 Ionia Ave., NW, Grand Rapids  
616.251.1200 | 1 West 8th St., Holland  
517.319.8000 | 330 Marshall St., Suite 200, Lansing

**CONSOLIDATED INCOME STATEMENT** (Unaudited) (in '000's)**For the 6 months ended 06/30/20**   **For the 6 months ended 06/30/19**

Interest Income		
Loans	\$11,151	\$11,729
Loan Fees	482	261
Investment	502	560
Fed Funds & Due from Banks	214	301
Total Interest Income	<u>12,350</u>	<u>12,852</u>
Interest Expense		
Deposits	1,730	2,237
Borrowings	657	572
Total Interest Expense	<u>2,387</u>	<u>2,809</u>
Provision For Loan Losses	<u>1,316</u>	<u>385</u>
Net Int. Income after Prov.	8,647	9,658
Non-Interest Income		
Fees and Services Charges	142	133
Gains on Mortgages Sold	56	3
Investment Referral Fees	50	66
Other Fees and Income	345	312
Total Non-Interest Income	<u>593</u>	<u>514</u>
Non-Interest Expense		
Employee Compensation	4,295	3,935
Occupancy Expense	583	551
Advertising Expense	117	196
Equipment Expense	228	191
Outside Services	421	369
Other General Expense	1,090	1,136
Total Non-Interest Expenses	<u>6,734</u>	<u>6,378</u>
Net Income before Taxes	2,506	3,794
Federal Income Taxes	409	619
<b>Net Income</b>	<b>\$2,096</b>	<b>\$3,175</b>
<b>Earnings Per Share</b>	<b>\$1.03</b>	<b>\$1.54</b>
<b>Return on Average Assets</b>	<b>0.63%</b>	<b>1.11%</b>
<b>Return on Average Equity</b>	<b>6.95%</b>	<b>11.35%</b>

## Board of Directors

Larry Lueth - Chairman

Daniel Bitzer - Director

Eric Brown - Director

Joseph Calvaruso - Director

James DeKruyter - Director

James DeMoss - Director

John Dunn - Director Emeritus

David G. Echelbarger - Director

James Gunderson - Director

David Holmes - Director

Ben Ipema - Director

Edward Montgomery - Director

Sondra Phillips - Director

John M. Schreuder - Director, Chairman Emeritus

Virginia Seyferth - Director

Joshua Weiner - Director

## Executive Team

Dan Bitzer - President & CEO

Jefra Groendyk - Executive Vice President, Grand Rapids Market President and Bank Senior Lender

Cindy Kole - Senior Vice President,  
Chief Operating Officer

Matt Morgan - Senior Vice President,  
Chief Financial Officer

Steve Piper - Senior Vice President,  
Chief Credit Officer



# Officers

**Greg Accardo**  
Market President, Holland

**Patty Barnas**  
Market President, Lansing

**Brian Clark**  
Branch Manager, Woodbridge

**Nick Conley**  
Commercial Banker

**Sue Edwards**  
Branch Manager, Downtown  
Kalamazoo

**Paige Gardner**  
Credit Analyst

**Cheryl Germain**  
Controller

**Andrea Goodin**  
Compliance Specialist

**Al Hoffman**  
Human Resources, Security &  
Training Manager

**Michelle Hoopman**  
Branch Assistant, Grand  
Rapids

**Dustin Hopkins**  
Commercial Banker

**Rick Jackson**  
Commercial Banker

**David Kistler**  
Commercial Banker

**Marcus Kole**  
Commercial Banker

**Dave Koster**  
Commercial Banker

**Cynthia Lamirande**  
Branch Manager, Holland

**Deb Lang**  
Marketing Manager

**Nicole Lowczyk**  
Treasury Management  
Specialist

**Joe Ludy**  
Branch Manager, West Main

**Chris Mars**  
Commercial Banker

**Jennifer Marsh**  
Commercial Banker

**Kim Melvin**  
Personal Relationship Manager

**Tamara Milobinski, CTP**  
Commercial Banker

**Sara Mottl**  
Loan Operations Specialist

**Jennifer Nemecek, CTP**  
Treasury Management Manager

**Emily Newman**  
Operations Manager

**Shaunna Padgett**  
Strategic & Operating Manager

**Nickie Peters**  
Facilities Manager

**Jesse Prins**  
Commercial Banker

**Kathy Reenders**  
Branch Assistant, Woodbridge

**Beth Rowley**  
Operations Specialist

**Josh Schultz**  
Commercial Banker

**Charles Slauer**  
Commercial Banker

**Melanie Squires**  
Treasury Management Officer

**Gary Stock**  
IT Specialist

**Amy Vervaras**  
Branch Manager, Grand Rapids

**Kevin Waldie**  
Compliance Manager

**Jennifer Warning**  
Credit Manager